



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
KENTON COUNTY CLERK**

Calendar Year 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Richard L. Murgatroyd, County Judge/Executive

Honorable William Aylor, Kenton County Clerk

Members of the Kenton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts and disbursements of the County Clerk of Kenton County, Kentucky, and the statement of receipts, disbursements, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 1998. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk is required to prepare the financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the County Clerk and the receipts, disbursements, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 1998, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Richard L. Murgatroyd, County Judge/Executive
Honorable William Aylor, Kenton County Clerk
Members of the Kenton County Fiscal Court

Based on the results of our audit, we have presented a comment and recommendation, included herein, which discusses the following area of noncompliance:

- The County Attorney Should Reimburse The County Clerk For Commission Overpayments

In accordance with Government Auditing Standards, we have also issued a report dated September 13, 1999, on our consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 13, 1999

KENTON COUNTY
WILLIAM AYLLOR, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS

Calendar Year 1998

Receipts

Library and Archives Grant	\$	63
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State Fees For Services:

Making Tax Bills	\$	8,635	
New Voter Registration		1,885	
Reimbursement of Personnel Expenses		31,941	
General Election Reimbursement		260	42,721

Fiscal Court:

Making Tax Bills	\$	27,374	
Postage		2,353	
Voter Registration Supplies		3,611	33,338

Licenses and Taxes:

Motor Vehicle-			
Licenses and Transfers	\$	2,383,921	
Usage Tax		10,927,017	
Tangible Personal Property Tax		8,682,145	
Licenses-			
Marriage		56,975	
Occupational		10,476	
City Stickers		104,602	
Deed Transfer Tax		534,552	
Delinquent Taxes		678,707	23,378,395

Fees Collected for Services:

Recordings-			
Deeds, Easements, and Contracts	\$	72,457	
Real Estate Mortgages		283,871	
Chattel Mortgages and Financing Statements		167,821	
Powers of Attorney		8,164	
All Other Recordings		349,133	
Charges for Other Services-			
Candidate Filing Fees		8,610	
Copywork		31,655	921,711

KENTON COUNTY
WILLIAM AYLOE, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS
Calendar Year 1998
(Continued)

Receipts (Continued)

Other:

Postage	\$	79,899	
Collection of Returned Checks		1,169	
Recovery of Overpayments (Note 5a)		303,049	
Miscellaneous		<u>66,320</u>	\$ 450,437

Interest Earned			<u>27,016</u>
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Gross Receipts			<u>\$ 24,853,681</u>
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Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	1,775,660
Usage Tax		10,600,359
Tangible Personal Property Tax		2,909,076

Licenses-

Delinquent Tax		79,797
Legal Process Tax		132,244
Candidate Filing Fees		<u>4,170</u>
	\$	15,501,306

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	856,235
Delinquent Tax		61,658
Deed Transfer Tax		507,812
Occupational Licenses		<u>8,340</u>
		1,434,045

Payments to Other Districts:

Tangible Personal Property Tax	\$	4,588,416
Delinquent Tax		<u>349,641</u>
		4,938,057

Payments to Sheriff		28,878
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Payments to County Attorney		119,745
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KENTON COUNTY
WILLIAM AYLOR, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS
Calendar Year 1998
(Continued)

Disbursements (Continued)

Operating Disbursements:

Other Charges-

Printing Tax Bills	\$	2,783	
Recovery Payments (Note 5b) -			
1997 General Account		138,941	
City Stickers		104,602	
Microfilm		63	
Miscellaneous		35,312	
		<u>35,312</u>	\$ <u>281,701</u>

Total Disbursements		\$	<u>22,303,732</u>
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Net Receipts		\$	2,549,949
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Payments to State Treasurer:

75% Operating Fund	\$	1,937,267	
25% County Fund		<u>593,523</u>	<u>2,530,790</u>

Balance Due County at Completion of Audit		\$	<u><u>19,159</u></u>
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The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
WILLIAM AYLLOR, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
OF THE COUNTY CLERK'S OPERATING FUND AND COUNTY FUND
WITH THE STATE TREASURER

Calendar Year 1998

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 1998	\$ 905,713	\$	\$ 905,713
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	1,709,980		1,709,980
Recovery of Overpayments - 1997	109,083		109,083
Recovery of Overpayments - 1998	118,204		118,204
Fees Paid to State - County Funds (25%)		517,761	517,761
Recovery of Overpayments - 1997		36,360	36,360
Recovery of Overpayments - 1998		39,402	39,402
Total Funds Available	<u>\$ 2,842,980</u>	<u>\$ 593,523</u>	<u>\$ 3,436,503</u>

Disbursements

Kenton County Fiscal Court	\$ 654,109	\$ 593,523	\$ 1,247,632
Personnel Services-			
Clerk's Salary	48,726		48,726
Clerk's Expense Allowance	3,600		3,600
Deputies Salaries	995,879		995,879
Employee Benefits-			
Employer's Share Social Security	76,253		76,253
Employer's Share Retirement	85,334		85,334
Employer's Paid Health Insurance	203,139		203,139
Unemployment Insurance	1,206		1,206
Life and Disability Insurance	10,585		10,585
Contracted Services-			
Advertising	366		366
Printing and Binding	45,748		45,748
Materials and Supplies-			
Office Supplies	27,188		27,188

KENTON COUNTY
WILLIAM AYLOE, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
OF THE COUNTY CLERK'S OPERATING FUND AND COUNTY FUND
WITH THE STATE TREASURER
Calendar Year 1998
(Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Disbursements (Continued)</u>			
Other Charges-			
Conventions and Travel	\$ 938	\$	\$ 938
Dues	3,550		3,550
Postage	35,896		35,896
Delivery Service	5,699		5,699
Data Processing Services	50,000		50,000
Telephone	27,903		27,903
Parking	13,265		13,265
Bond	8,157		8,157
Cellular Service	205		205
Equipment Service	16,992		16,992
Recovery Overpayments - 1997	109,083		109,083
Recovery Overpayments - 1998	118,204		118,204
Miscellaneous	4,626		4,626
Capital Outlay-			
Office Furniture and Fixtures	129,156		129,156
Office Equipment	167,173		167,173
Total Disbursements	<u>\$ 2,842,980</u>	<u>\$ 593,523</u>	<u>\$ 3,436,503</u>
Fund Balance - March 12, 1999	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
WILLIAM AYLLOR, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS

December 31, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

B. Basis of Accounting

The financial statements have been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The office of Attorney General issued a letter which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are receipted in the 75 percent fund.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

KENTON COUNTY
WILLIAM AYLOE, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 1998
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Clerk met the requirements stated above, and as of December 31, 1998, deposits were fully insured or collateralized at a 100% level with collateral held by the county official's agent in the county official's name.

Note 4. Grant

The County Clerk was awarded in 1996 a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$48,470. The cash balance of this account on January 1, 1998 was \$62 and interest earned during calendar year 1998 was \$1. Funds totaling \$63 were expended during calendar year 1998, leaving a grant balance of \$0 as of December 31, 1998.

Note 5. Overpayment of Clerk's Tangible Personal Property Tax Commissions

- a. Recovery of overpayments of tangible personal property tax commissions into the 75% and 25% percent funds for the months of August 1997 through May 1998.
- b. Recovery of overpayments of 1997 tangible personal property tax commissions that were paid twice into the 75% and 25% funds. This amount was transferred to balance out the 1997 fee account.

KENTON COUNTY
WILLIAM AYLLOR, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 1998
(Continued)

Note 6. Subsequent Events

Based on our audit, the County Clerk was entitled to collect receivables in the amount of \$3,670. The Clerk was also required to distribute outstanding liabilities of \$28,623 and as of June 30, 1999, a fund balance of \$19,159 remained. Receivables of \$2,589 were collected from the State for a late penalty and interest reimbursement on August 11, 1999, however, the Clerk had not collected \$1,081 from the County Attorney for commission overpayments as of September 17, 1999. Outstanding liabilities of \$28,623 due to the state, county, school, and local districts for underpaid delinquent taxes were distributed on August 23, 1999. The remaining fund balance of \$19,159 is to be turned over to the county.

On September 30, 1999, the County Attorney responded and reimbursed the County Clerk \$1,081 for commission overpayments on delinquent taxes.

COMMENT AND RECOMMENDATION

KENTON COUNTY
WILLIAM AYLOR, COUNTY CLERK
COMMENT AND RECOMMENDATION

December 31, 1998

The County Attorney Should Reimburse The County Clerk For Commission Overpayments

During the calendar year 1998, the County Attorney was overpaid commissions of \$1,081 for collecting erroneous delinquent taxes. KRS 134.500(3) allows the county attorney, in respect to the certificate of delinquency, to collect a twenty percent (20%) commission of the amount due each taxing district. On July 23, 1999 and again on September 13, 1999, we recommended the County Attorney reimburse the County Clerk. The fiscal court has the authority, according to KRS 64.820, to collect any amount due the county from officials as determined by the audit of the official conducted. As of September 13, 1999, the County Attorney has not reimbursed the County Clerk. We recommend that the fiscal court take the appropriate action to collect the \$1,081 due from the County Attorney.

Management's Response:

County Clerk: This problem developed because the wrong bills were marked paid by the Sheriff's office & these 2 bills should not have been shown as delinquent.

County Judge/Executive: We are requesting that the County Attorney respond by September 17, 1999.

Auditor's response:

On September 30, 1999, the County Attorney responded and reimbursed the County Clerk \$1,081 for commission overpayments on delinquent taxes.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Richard L. Murgatroyd, County Judge/Executive
Honorable William Aylor, Kenton County Clerk
Members of the Kenton County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the Kenton County Clerk as of December 31, 1998, and have issued our report thereon dated September 13, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Kenton County Sheriff's financial statements as of December 31, 1998, are free of material misstatement, we performed tests of compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Kenton County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Richard L. Murgatroyd, County Judge/Executive
Honorable William Aylor, Kenton County Clerk
Members of the Kenton County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 13, 1999

